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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8740
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RUEAWJL/DEPT OF JUSTICE WASHINGTON DC IMMEDIATE
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC IMMEDIATE
RUEHCHI/AMCONSUL CHIANG MAI IMMEDIATE 7212
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEHNS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHC/DEPT OF LABOR WASHINGTON DC

UNCLAS SECTION 01 OF 02 BANGKOK 002742

STATE FOR EAP/MLS, EEB, DRL
STATE PASS TO USTR FOR BWEISEL, BKLEIN
COMMERCE FOR EAP/MAC/OKSA FOR JKELLY
TREASURY FOR OASIA
SINGAPORE FOR FINATT BLEIWEIS

SENSITIVE
SIPDIS

E.O. 12958:N/A
TAGS: [ECON](#) [EINV](#) [ELAB](#) [ETRD](#) [SENV](#) [PREL](#) [TH](#)
SUBJECT: AMBASSADOR WEIGHS IN ON DOW CHEMICAL PROJECT SUSPENSION

REF: A: BANGKOK 2678 (PRIME MINISTER MEETS WITH ASIA-PACIFIC
AMERICAN CHAMBERS OF COMMERCE)
[1](#)B. BANGKOK 2597 (ENVIRONMENTALISTS VERSUS INDUSTRIALISTS)

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[1](#)1. (U) Summary: As reported ref B, the Industrial Estate Authority of Thailand (IEAT) has been ordered by Thailand's Central Administrative Court to halt construction in the Map Ta Phut industrial zone, where U.S. firms Dow Chemical and Chevron have multi-billion dollar projects underway. IEAT has been ordered to suspend the issuance of new construction permits in accordance with the court injunction, a move that could cost Dow alone \$10 million a month. The Ambassador has weighed in with the Prime Minister on the situation, emphasizing our respect for the court ruling and the support that the U.S. firms involved have for the environmental issues. The Prime Minister noted that his government has appealed the court ruling, but it could be months before the appeal is heard.
End Summary.

[1](#)2. (SBU) In accordance with an injunction issued by the Central Administrative Court on September 29, IEAT has been ordered to halt all construction currently underway in Map Ta Phut. However, as IEAT does not have authority to suspend construction of a private entity unless the company is found to be in violation of specific codes, the IEAT is limited in its ability to affect on-going construction. And, to mitigate against any possible lawsuits that might be initiated by investors who may suffer losses as a result of actions taken by IEAT, the government body is moving very cautiously as it seeks to satisfy the stipulations of the injunction. Where the IEAT's hands have been tied is in the issuance of new construction permits, which has now ceased in accordance with the court injunction.

[1](#)3. (SBU) According to Dow Thailand representatives, this new move leaves Dow without an additional 20 permits needed for the completion of its \$1.5 billion investment in MTP. As Dow's construction in MTP is done in a module by module manner, permits are sought on an "as needed" or "just-in-time" basis. Thus, Dow has yet to receive construction permits for modules planned for next month and beyond. Complicating matters for Dow is the fact that while its Environment Impact Assessment (EIA) for the construction of its hydrogen plant (joint venture with Belgian company Solvay) was approved just one week prior to the announcement of the court

injunction, the issuance of the actual certificate of approval was held up in the Office of Natural Resources and Environmental Policy and Planning (ONEP) in the Ministry of Natural Resources and Environment. Now that the court injunction is in place, the Ministry of Natural Resources and Environment will not issue the certificate of approval.

¶4. (SBU) Despite the freeze on the issuance of new construction permits, Dow representatives claim to have been given verbal permission by IEAT officials to proceed with its USD 1.5 billion project. In a teleconference between U.S. Ambassador Eric G. John and Heinz Haller, Dow Executive Vice President, the Ambassador fully endorsed Dow's interest in remaining on the right side of the law.

¶5. (SBU) According to Dow, the immediate cost to their operation of halting construction is calculated at \$10 million/monthly. Dow estimates that the indirect costs could go as high as \$60-80 million/monthly, and affect 6,000 jobs currently and another 4,000 jobs that were to have been created over the next four months.

¶6. (SBU) In response to the Ambassador's inquiry about the Map Ta Phut dispute in a one-on-one meeting (ref A), the Prime Minister expressed frustration with the process and emphasized that his government had appealed the ruling by the Administrative Court and that he hoped the Supreme Administrative Court would overturn the ruling so that companies, including Dow Chemical and Star Petroleum Refining Co. (a subsidiary of Chevron), could proceed with their investment projects. However, he acknowledged that a decision by the Supreme Administrative Court could take a couple of months, and indicated that the government is currently reviewing other options to enable the projects to proceed, particularly if the court's initial ruling is upheld. The Ambassador stated that the U.S. Government will not interfere with the legal process and stressed that all parties want to reach an environmentally friendly solution

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to the problem.

¶7. (U) According to industry players, the Joint Standing Committee on Commerce Industry and Banking (a non formal consultation group co-founded in 1977 by the Board of Trade, Federation of Thai Industries and the Thai Bankers' Association) has formed a Working Committee on Map Ta Phut. The first meeting of the Working Committee on Map Ta Phut was held on October 20, and attracted representatives from Thailand's Ministry of Industry, the Federation of Thai Industries, the Joint Foreign Chambers of Commerce in Thailand, the Thai Banker's Association, the Board of Trade and the American Chamber of Commerce in Thailand, together with local residents (who have an interest in seeing the projects proceed). The parties discussed possible solutions that would meet the needs of all. At the conclusion of the meeting, the group endorsed the idea that "economic development and environmental protection can co-exist," but was unable to produce a plan on how to proceed to resolve the current impasse.

JOHN